Farm equipment giant John Deere lays off 120 workers as sales plummet

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On July 22, Illinois-based Deere & Co., the largest agricultural machinery company in the world, announced the laying off of approximately 120 production employees at its John Deere Harvester Works plant in East Moline, Illinois. The layoffs, which will go into effect September 6, are the response by Deere's corporate board to a slump in revenue. They are the third round of US layoffs this year.

In March, Deere announced the laying off of approximately 125 employees at two factories in Iowa. In February Deere slashed approximately 80 employees from its Davenport Works factory and 20 from its Dubuque factory again both in Iowa. Presently, there are approximately 2000 workers laid off as Deere has been trimming its workforce over the past two years to cut costs. More workers will likely be laid off as Deere's revenue is projected to continue to decline as a result of the global economic crisis and the decline in commodity prices.

Deere has forecasted an overall nine percent decline in sales and expects a net income of $1.2 billion for 2016. Deere's net income has seen a downfall from previous years: net income in 2013 was $3.537 billion, in 2014 it was $3.162 billion and in 2015 it plummeted to $1.94 billion.

In May, Deere reported that its net income for its second quarter was $495.4 million, compared to $690.5 million the same period last year. Net income for the first six months of the year was $749.8 million compared to $1.077 billion to the previous year. Deere's international net sales and revenues dropped by four percent to $7.875 billion for its second quarter and fell eight percent to $13 billion for the first six months.

Its equipment sales also saw a sharp drop, with Deere reporting its net sales for its equipment operations sinking to $7.107 billion for the quarter and $11.876 billion for the first six months, compared with $7.399 billion and $13.004 billion for the same time last year.

Samuel Allen, Deere's chairman and chief executive officer, commented, "John Deere's second-quarter performance reflected the continuing impact of the downturn in the global farm economy and further weakness in the construction equipment sector. In the face of challenging market conditions, Deere's businesses benefited from the sound execution of operating plans, the strength of a broad product portfolio and our success creating a more flexible cost structure."

The United Auto Workers joined management in imposing a "more flexible cost structure" in the sellout contract of 2015, which was rammed through against the opposition of rank-and-file workers. The UAW gave Deere the green light to eliminate as many jobs as possible while maximizing production, shifting health care costs onto workers and essentially maintaining a years long freeze in real wages. This has ensured that Allen and Deere's corporate board and investors continue to reap millions.

As contract negotiations began last year, UAW President Dennis Williams made clear his commitment to follow the ruthless cost-cutting campaign of Deere's corporate board. "This process of bargaining is not new to any of us," Williams said, adding, "we have negotiated contracts at John Deere before. Over the years, we have gone through many changes and sacrifices."

This was echoed by UAW Vice President Norwood Jewell, who said, "We are committed to work as hard as we can to get an agreement in which our members can be proud of, the company can feel good about and our customers can continue to reap the benefits of

UAW-made quality products."

Indeed, the UAW is working on behalf of Deere to ensure that it continues to "prosper" and "feel good" by making workers pay for every hit to Deere's profits. Every major reduction in pay, in benefits, in hours made in response to decline in profits has become a permanent feature for Deere's workers. In 1997, the UAW collaborated with Deere to implement a two-tier wage system that mandated workers hired on or after October 1, 1997 would receive a large cut in pay compared to those hired before. At the time, the UAW argued it was a necessary to sacrifice for workers to make to maintain the company's "competitiveness" as company profits slumped.

Since then, the hated two-tier system, which was then imposed by the UAW at the Detroit Three auto companies, has been continued in every contract, regardless of how well Deere has been doing. In 2015, when UAW and Deere negotiated the latest contract, which continued the two-tier system, Deere posted net revenue of $1.94 billion. Commenting in its 2015 annual report, Deere said, "Net income was down 39% to $1.94 billion but still represented the sixth-highest total in company history."